Yukon
Economic Review
1998

Yukon
Economic Development

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Preparation of the *Yukon Economic Review 1998* was delayed this year due to a delay in the release of provincial and territorial GDP data by Statistics Canada until November 10th, 1999.

1.0 Introduction

The Yukon economy grew slightly in 1998, following a steep decline in output the previous year. Overall GDP growth of 0.5% reflected a mix of steady expansion in service sector industries offsetting declines in the mining and goods sector industries.

The closure of the Faro mine and falling mineral prices were the main factors causing the further contraction in mining and related industries and contributed to an out-migration of more than 1,400 people from the territory. The slump in the mining industry was alleviated by continued strong growth in tourism, government and related service sector industries.

2.0 Output and Employment

2.1 Gross Domestic Product

Yukon Real GDP crept forward by 0.5% in 1998 after declining by nearly 11% the previous year[1].

Increased spending by consumers and governments stimulated the Yukon economy in 1998, offsetting a decline in exports and in residential construction.

An increase in real consumer spending of $6 million, mainly on non-durable goods, helped to sustain the Yukon economy, together with an increase of 1.3% in overall government spending.

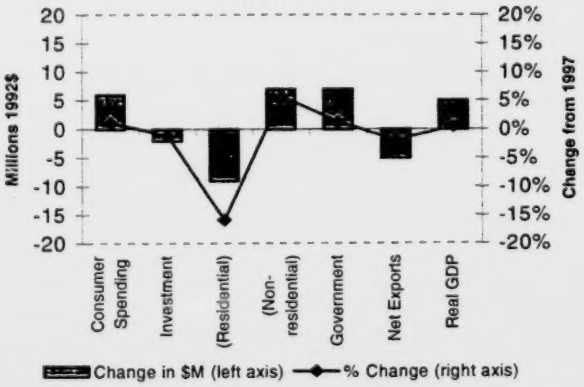
The closure of the Faro mine and low mineral prices resulted in a 12% drop in the real value-added of Yukon's international exports. The drop in the value of exports was due to the absence of lead and zinc exports in 1998, and was reflected in a decline in the value of international *goods* exports by 21%. During 1998,

Yukon Gross Domestic Product
(at market prices in 1992$)

	Real GDP (1992$ millions)	Real GDP Growth %
1995	$1,005	16.3%
1996	$1,110	10.4%
1997	$989	-10.9%
1998	$994	0.5%

Source: Statistics Canada, *Provincial economic accounts: Annual estimates 1998* Cat. Nos. 13-213-PPB, November 1999.

Contributions to Real GDP Growth
Yukon 1998



Source: Statistics Canada *Provincial Economic Accounts*

[1] Unless otherwise indicated, all GDP figures are in terms of 1992 *real dollars*. Real dollars are used because they provide a consistent basis for comparison between years by adjusting for inflation. Lower prices for mineral exports and machinery and equipment, such as computers, mean that the Yukon's GDP Price Index *declined* by 1.3% in 1998. Consequently, 1998 nominal GDP declined by 0.7%. GDP figures are subject to revision by Statistics Canada.

international exports of *services* rose by 11% thanks to increased tourism. Lower exports combined with reduced imports resulted in a $5 million drop in net international and interprovincial exports.

Job losses in the mining sector resulted in a decline in the population, which contributed to a $9 million drop in the value of residential construction. This was partially offset by an increase of $7 million in business investment in machinery and equipment and non-residential structures.

Declining production in the mining sector also dragged down related goods and service sector industries. The construction, trucking, electricity generation, and wholesale trade industries all suffered from lower demand from the mining industry.

1998 Yukon GDP by Industry
(in 1992 Constant Dollars)

Industry	% Change 1997	% Change 1998	1998 Value (millions)
Goods Sector	*-37.9%*	*-12.4%*	*$161.8*
▪ Agriculture	1.3	4.0	$1.3
▪ Fishing and Trapping	55.7	-10.7	$0.2
▪ Logging & Forestry	11.0	-18.9	$0.5
▪ Mining, oil and gas	-55.9	-9.4	$71.0
▪ Manufacturing	3.3	21.7	$7.0
▪ Construction	-8.0	-16.5	$61.5
▪ Other utilities	-22.3	-18.2	$20.2
Service Sector	*2.0%*	*3.4%*	*$785.6*
▪ Transport and storage	-2.2	1.2	$57.2
▪ Communications	-9.8	-4.2	$24.3
▪ Wholesale trade	-5.5	-7.8	$36.6
▪ Retail trade	-0.1	2.2	$60.1
▪ Finance & Insurance	4.7	0.2	$28.9
▪ Real estate & insurance agents †	3.6	7.1	$112.0
▪ Business industries	2.5	4.4	$20.5
▪ Government service	4.8	5.6	$215.6
▪ Educational service	1.8	5.6	$66.0
▪ Health & social services	6.3	1.5	$62.3
▪ Accommodation, food & beverage	5.1	5.2	$73.6
▪ Other service industries	-5.7	1.7	$28.4

Source: Statistics Canada: *Provincial Gross Domestic Product by Industry 1984 – 1998*, Cat. No. 15-203-XIB, November 1999. GDP by Industry is calculated at factor cost and does not include indirect taxes less subsidies. It differs from GDP on an income or expenditure base which is calculated at market prices. Industry output is calculated on a value-added basis and so excludes the value of intermediate inputs.

† - This sector also includes real estate rentals and imputed rent for owner-occupied dwellings.

Overall, output from goods sector industries declined by 12.4% in 1998, following a 38% drop in 1997. Two areas of growth in the goods sector were agriculture, which grew by 4%, and printing and publishing, which posted a 24% gain in 1998.

Increased government, consumer and tourist spending boosted the fortunes of related service sector industries in 1998.

Hotel and restaurant businesses rose by 5.2%, retail trade registered a 2.2% increase, and business services expanded by 4.4%.

Increased home sales helped real estate and insurance operators gain by 7.7%.

3.2 Labour Force and Employment

The labour market in 1998 was strongly affected by both the closure of the Faro mine in January and solid job growth in the summer months. The indefinite closure of the Faro mine led to a loss of 600 jobs early in the year. Employment levels declined steeply in the early part of the year before recovering in the summer.

Strong tourism performance associated with the centennial of the Klondike Gold Rush fuelled job growth through the summer. By September, the number of unemployed and the unemployment rate had both dropped to almost half their April levels.

Overall employment levels declined slightly from 13,750 in 1997 to 13,692 in 1998.

Yukon Labour Force and Employment

	1994	1995	1996	1997	1998
Labour Force (no.)	14,858	15,100	15,708	15,867	15,683
Employment (no.)	13,167	13,658	14,217	13,750	13,692
Unemployment (no.)	1,683	1,433	1,508	2,117	1,992
Unemployment Rate (%)	11.4	9.6	9.6	13.3	12.7

Source: Yukon Bureau of Statistics *Yukon Annual Statistical Review 1998.*
All figures are annual averages.

Low unemployment rates in other provinces attracted out-of-work Yukoners and led to a drop in the labour force of almost 200. The number of unemployed persons in the Yukon labour force also fell -- from an average of 2,117 in 1997 to 1,992 in 1998, representing a 5.9% decrease. As a result, the unemployment rate for the year averaged 12.7%, down from 13.3% in 1997.

Employment trends through the year also reflected:

- a decline in private sector employment and an increase in public sector employment,
- a drop in full-time employment and an increase in part-time jobs, and
- a drop in the number of men employed.

The Yukon unemployment rate tends to be higher than the national average. In 1998, only Newfoundland and PEI had a higher unemployment rate than the Yukon.

Part of the higher unemployment rate in the Yukon can be attributed to seasonal factors. Seasonal variation in employment levels is much greater in the Yukon than in the rest of Canada. During last year, and on average over the past six years, employment levels in the Yukon were about 18% higher during the May to October period than they were during the rest of the year. This compares to an average of 3% higher employment levels during this period for Canada as a whole[2].

Goods producing industries in the Yukon, such as resource industries and construction, generally have up to 50% - 60% higher employment in the May to October period than during the rest of the year. Tourism-related sectors, such as retail & wholesale trade and business & personal services, also have a relatively high variation in seasonal employment. In contrast, employment in public administration and transport and utilities exhibits relatively less seasonal variation.

[2] These figures were calculated using data from Statistics *Canada's Survey of Employment, Earnings and Hours*. This survey provides an estimate of employment levels by industry. The *Labour Force Survey* (LFS) does not provide a breakdown of employment by industry for the Yukon, and uses a three month moving average which makes it more difficult to determine seasonal variations.

3.0 Population, Prices and Interest Rates

3.1 Population

Yukon's annual average population declined by almost 4% to 32,216 in 1998, from 33,519 in 1997.

This decline can be attributed to the reduction in mining activity in the territory and the spin-off effects on the rest of the economy.

Every Yukon community except Tagish experienced a drop in population in 1998. The greatest percentage decline was in Faro where the population dropped by over 25%.

The largest nominal drop in population occurred in Whitehorse. The population of the territorial capital dropped by 612 people in 1998.

Natural population growth (births minus deaths) added 267 people to the territory's population, while a net out-migration of over 1,400 was responsible for the overall population decline.

Yukon Community Populations

	1996	1997	1998
Beaver Creek	140	116	109
Burwash Landing	86	88	81
Carcross	430	433	423
Carmacks	466	476	461
Dawson City	2,043	2,132	2,057
Destruction Bay	48	41	36
Faro	1,312	1,226	911
Haines Junction	830	854	812
Mayo	502	503	484
Old Crow	286	302	292
Pelly Crossing	290	303	287
Ross River	401	435	397
Tagish	133	145	158
Teslin	490	487	454
Watson Lake	1,801	1,796	1,690
Whitehorse	23,611	24,018	23,406
Other	182	164	158
Total Yukon	**33,051**	**33,519**	**32,216**

Source: Yukon Bureau of Statistics, *Annual Statistical Review, 1998* (Health Care Population Estimates)
All figures are annual averages.

The number of seniors in the Yukon continued to increase again in 1998. At the end of the year, there were 1,628 people 65 years of age and over living in the Yukon, 56% more than a decade ago.

Men continue to outnumber women in the Yukon, but their predominance is waning. The share of women in the Yukon population has increased during this decade, particularly in the adult age category. In 1998, there were 52 women for every 48 men in the 20 to 44 age group.

3.2 Prices

Price increases in Whitehorse and across Canada remained low during 1998.

The Canadian and Whitehorse[3] rates of inflation, as measured by the Consumer Price Index, increased by only 0.9% and 1.0%, respectively.

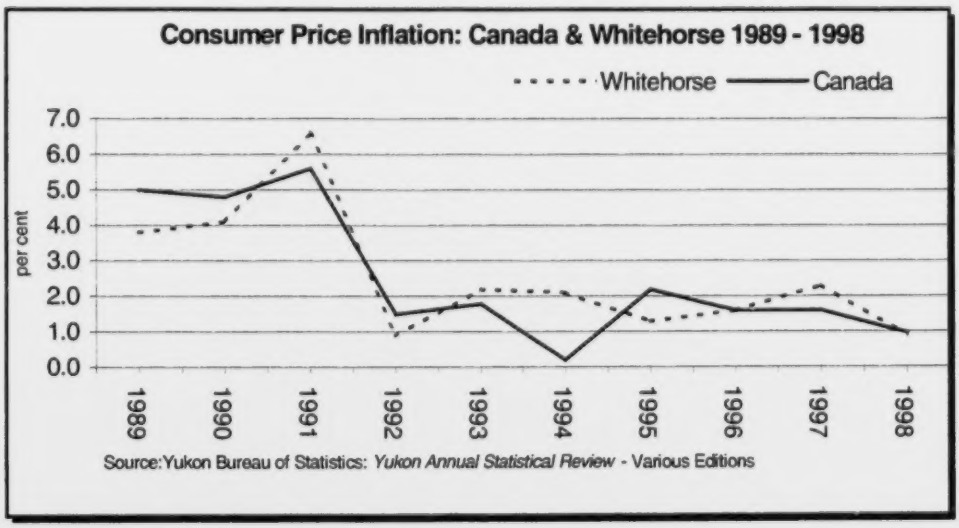
Lower prices for shelter, clothing and energy (particularly gasoline and home heating oil) kept increases in the cost of living low in Whitehorse last year. Balancing this, the price of food rose by 2.3% while tobacco and alcohol prices increased by 1.9%.

Strong retail competition, excess capacity in the economy and lower prices for commodities and technology products have helped to keep prices down across Canada.

Rate of Inflation Canada 1998	
Prince Edward Island	-0.5
Yellowknife	-0.1
Newfoundland	0.2
British Columbia	0.3
New Brunswick	0.6
Nova Scotia	0.6
Ontario	0.9
Whitehorse	***1.0***
Alberta	1.1
Manitoba	1.3
Quebec	1.4
Saskatchewan	1.4
Canada	**0.9**

Source: Statistics Canada, *Various Matrices*

Underlying inflation pressures also remained low during the year. The price of commodities and raw materials dropped by an average of 15% during 1998 while wage settlements increased by an average of only 1.6% in Canada.

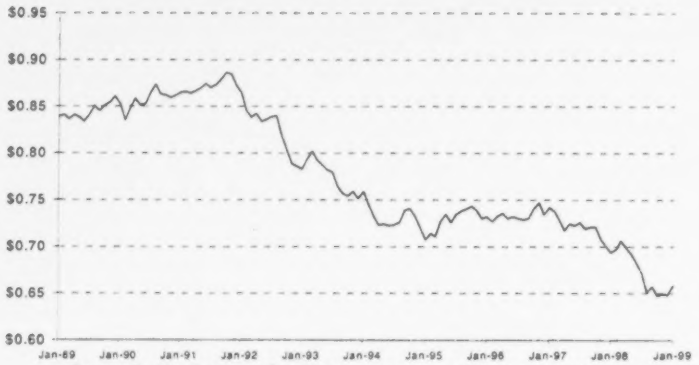


[3] Yukon Consumer Price Index inflation figures are only available for Whitehorse.

3.3 Interest Rates and Exchange Rate

The Canadian dollar reached record lows in 1998, driven down by financial turmoil in Asia, Russia and Brazil and a resulting decline in commodity prices. The value of the Canadian dollar dropped over 6% in relation to the US dollar and other major currencies in the first eight months of 1998 before the Bank of Canada intervened to stabilize the currency.

Average Monthly Exchange Rate

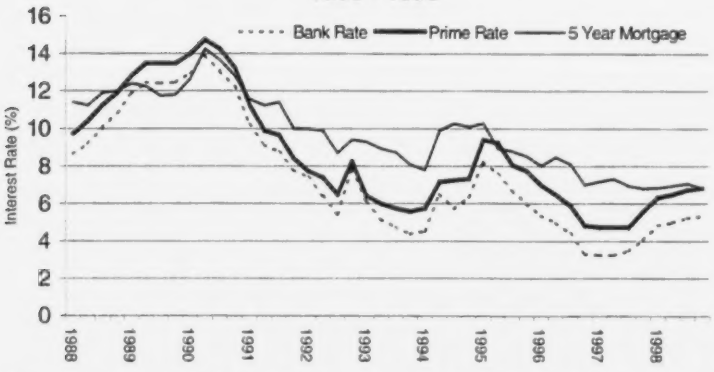


Source: Pacific Exchange Rate Service: University of British Columbia

The Bank of Canada raised the Bank Rate by ½ per cent in early 1998 and then by a further percentage point in August to give support to the declining Canadian dollar. These actions led to increases in the prime business loan rate and other short-term interest rates. The prime business loan rate increased from 4.75% in mid 1997 to 6.5% in early 1998 and then up to 7.25% in August 1998. Gradual cuts in the Bank Rate later in 1998 led to a ½ per cent reduction in the prime rate in the last four months of the year.

The trend for longer-term interest rates was more favourable in 1998. Despite a small increase in the middle of the year, conventional five-year mortgage rates continued to decline. The average cost of borrowing for a five-year mortgage in 1998 was 6.93%, down from 7.07% in 1997 and down from 7.93% in 1996.

Quarterly Interest Rates - Canada
1988 - 1998



Source: Yukon Bureau of Statistics : *Yukon Annual Statistical Review* - Various Editions

Lower mortgage rates and favourable house prices led to an increase in mortgage borrowing. The total value of mortgage loans held by Yukon banks increased to over $330 million in 1998. Total personal loans outstanding dropped, largely because of a drop in credit card debt. The value of business loans held by Yukon banks dropped by 11%.

4.0 Sectoral Developments

4.1 Mining

The indefinite closure of the Faro mine in January combined with depressed mineral prices and the Asian economic crisis took a heavy toll on the mining sector in 1998.

Because the Faro mine was only in production for a very short period during the year, the total value of mineral production in 1998 is estimated at $113.5 million dollars, down substantially from 1997.

Yukon Mineral Exploration Expenditures

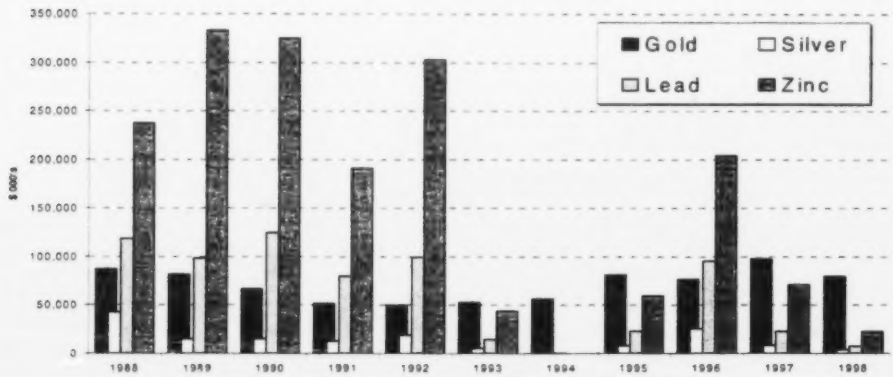
	($ millions)
1994	26
1995	40
1996	55
1997	35
1998	15.4

Source: Department of Indian and Northern Affairs, Exploration and Geological Services Division

There were two hardrock mines operating in the Yukon throughout 1998. Brewery Creek gold mine, owned by Viceroy Resource Corporation, was in production and produced a total of 79,396 ounces of gold in 1998.

The Mount Nansen silver-gold mine, owned by B.Y.G. Natural Resources, was also in production. A total of 136,095 tonnes of ore were produced and processed, grading 5.03 g/t of gold and 43.23 g/t of silver. A water balance problem in the tailings pond at the beginning of the year resulted in a shutdown and reduced capacity until June 1998 when full production resumed.

Value of Mineral Production by Commodity



Source: Yukon Bureau of Statistics Yukon: *Annual Statistical Review* - Various Editions.

Spending on exploration declined to an estimated $15.4 million in 1998, from $35 million in 1997. Mine development expenditures are estimated at $6 million for 1998, from $23 million in 1997. Most mine development expenditures were incurred at the Minto copper-gold-silver project.

Cominco's Sa Dena Hes zinc-lead-silver mine and the United Keno Hill silver-lead-zinc mine remained on care and maintenance through 1998, awaiting an increase in metal prices. Three projects, Dublin Gulch gold project, Carmacks Copper and Kudz Ze Kayah were in the environmental permitting process or waiting for a signed water license.

Placer gold production also decreased in 1998, dropping by 22.3% to just over 90,000 ounces. Conversely, the number of placer claims staked that year increased by 72 to 781. However, the total number of placer claims in good standing continued a downward trend, dropping by 549 to 16,988.

Yukon Placer and Quartz Claims 1994 – 1998

	1994	1995	1996	1997	1998
Number of Placer Claims Staked	1,357	1,126	908	709	781
Total Placer Claims in Good Standing	17,464	17,935	17,702	17,537	16,988
Number of Quartz Claims Staked	10,378	14,275	22,685	9,692	5,148
Total Quartz Claims in Good Standing	45,030	56,969	71,504	72,723	66,287

Source: Canada, Department of Indian and Northern Affairs: *Mineral Rights Statistics 1998 Calendar Year and 1998/99 Fiscal Year*

Metal prices continue to be an important determinant of mining operations in the Yukon. With the exception of silver, the prices of key Yukon minerals dropped in 1998. The economic uncertainties in Southeast Asia and production levels in the rest of the world drove the price of these minerals down during the year.

Annual Average Metal Prices - Major Yukon Metals

	Gold ($US/oz.)	Silver ($US/oz.)	Lead ($US/kg)	Zinc ($US/kg)	Copper ($US/kg)
1994	384.68	5.30	0.56	1.00	2.35
1995	384.27	5.20	0.64	1.03	2.92
1996	386.45	5.16	0.77	1.03	2.30
1997	329.65	5.00	0.63	1.31	2.25
1998	294.87	5.50	0.53	1.03	1.67
% Change 1997 – 98	***-10.6%***	***+10.0%***	***-15.9%***	***-21.4%***	***-25.8%***

Source: Yukon Bureau of Statistics: *Annual Statistical Review 1998*

The price of gold declined by over 10% in 1998, following a 15% drop in price the previous year. Gold prices declined because of reduced speculative demand, sales of gold reserves by central banks, low inflation and rising stock markets.

Speculative buying led to an increase in the price of silver in early 1998, the price fell later in the year. The overall effect on the price of silver was an increase of 10% over 1997 levels.

Lead is mainly used in batteries for cars and other vehicles. This demand continued to decline in 1998 as a result of economic problems in Southeast Asia. Other consumer and construction uses for lead, such as in paint, pipes and soldering have also declined in recent years.

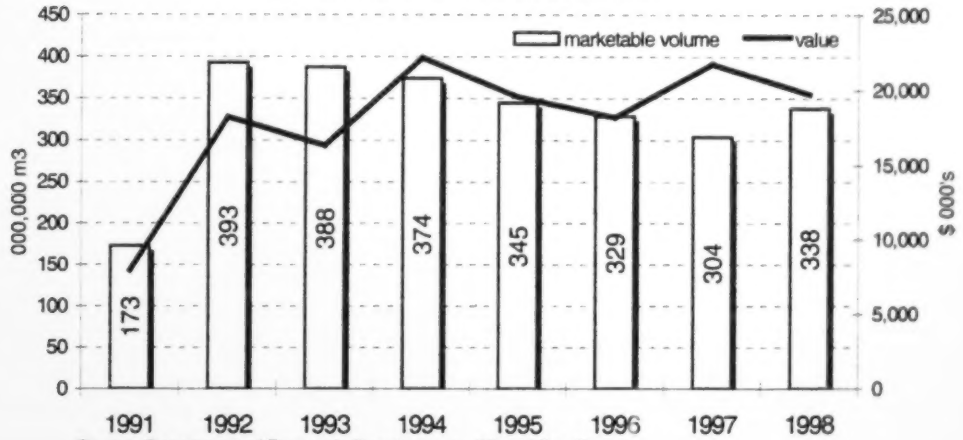
Zinc is used extensively in the automobile and construction industry and in the manufacture of brass and small metal objects. Economic uncertainties in Southeast Asia also had a negative impact on the price of zinc in 1998.

4.2 Oil and Gas

Passage of the *Yukon Oil and Gas Act* on November 19, 1998 created a strong foundation for future development of the oil and gas sector. This legislation transferred authority for oil and gas from the federal government to the Yukon and established a framework for the issuance of oil and gas rights and development of the industry.

Yukon's natural gas wellhead production from the Kotaneelee gas field in 1998 was estimated at 452 million cubic meters. Yukon's marketable volume[4] of natural gas at the gas plant outlet in Fort Nelson, BC increased by 11% in 1998 to 338 million cubic meters. Increased production levels in 1998 were directly attributable to a workover[5] at the site.

Yukon Natural Gas Production



Source: Department of Economic Development, Oil and Gas Branch.

Northern Cross received approval in 1998 to undertake a well-testing program to assess whether their wells at Eagle Plains can support sustained production to supply crude oil for local Yukon consumption. Four hundred barrels of crude oil were produced during the Chance well testing program over the year.

[4] The difference between wellhead and marketable gas volumes is attributable to shrinkage, flaring and consumption associated with the processing of the gas. Kotaneelee routinely has a loss in the volume of gas between the wellhead and plant of roughly 25%.

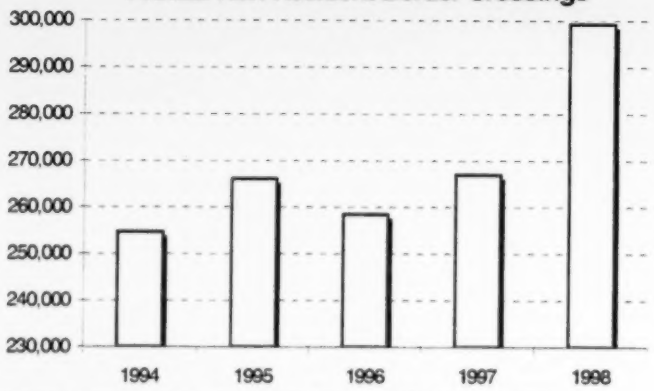
[5] A 'workover' involves treating the downhole face of the producing formation to increase the rate of flow and efficiency of a well.

4.3 Tourism

A record number of tourists visited the Yukon during the centennial of the Klondike Gold Rush in 1998.

The economic output and employment of the tourism sector cannot be easily calculated because it is made up of parts of various economic sectors, including the hotel and restaurant sector, retail trade, transportation, and recreation.

Annual Non-Resident Border Crossings

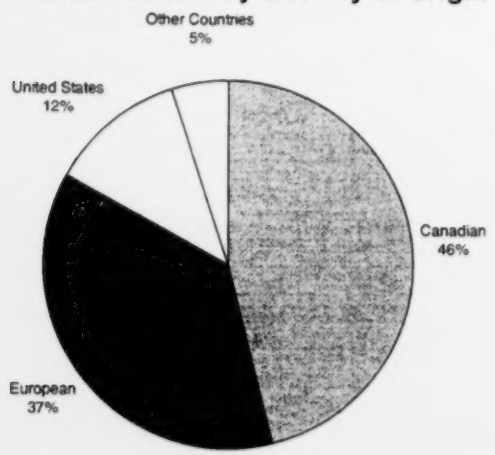


Source: Department of Tourism, *Yukon Annual Visitation Highlights 1994 - 1998*

The hotel and restaurant industry had another year of strong growth in 1998. This sector contributed $73.6 million to the territory's GDP, up 5.2% from 1997 and 10.5% higher than 1996. Increased tourism also helped to boost the retail trade sector and the transportation sector in 1998.

Border crossing statistics and visitor surveys provide another, more current, method of measuring tourism activity.

Air Traveller Market by Country of Origin



Source: *1998 Whitehorse Air Travellers Survey*

Visitation to the Yukon, as measured by the number of border crossings into the territory by non-residents[6], grew to 299,267 in 1998 from 266,963 in 1997, representing a 12% increase.

Residents of the United States again dominated tourism to the Yukon, accounting for 84% of all cross-border visitors.

During the 1998 tourist season, a record number of total visitors, a record number of US visitors, and a record number of European visitors came to the Yukon.

[6] Totals do not include Yukon residents, those in commercial vehicles, visitors arriving by air, or marine arrivals in Dawson City.

Approximately 80% of visitors arrive during the peak tourism season between June and September. Visitation growth to the Yukon in 1998 was equally strong in the peak and off-peak periods.

Results from the 1998 airport survey indicate that tourists may be staying in the Yukon longer and spending more. Between 1994 and 1998 the value of air travel tourist spending in constant dollars increased by 72%. This survey showed that the majority of air travellers to the territory in 1998 originated from Canada, with the next largest group from Europe, followed by the United States.

4.4 Government

Government spending functioned as a stabilizing factor in the Yukon economy in 1998.

Government spending on capital infrastructure, goods and services and salaries contributes significantly to the rest of the economy and helps to counteract the seasonal and cyclical nature of the Yukon economy.

Total budgetary spending by the Yukon government increased to $454.9 million in 1998/99, up from $433.2 million in the previous fiscal year. This included $365.1 million in spending on operations and maintenance (O&M) and $89.7 million in capital spending. Compared to 1997/98, spending on O&M increased by 3% while spending on capital increased by 14%.

Major Capital Projects
Yukon Government 1998/99

	Expenditures ($ millions)
Public Schools	9.2
Alaska Highway Projects	14.6
Yukon Airports	3.4
Residential Land Development	3.5

Source: Yukon Department of Finance

Yukon revenues from the federal government increased in 1998. Total transfers from Canada were $371 million in 1998, up 23% from $302 million in 1997. Yukon government revenues from taxes and other general revenues declined from $85 million in 1997 to $75.5 million in 1998 – largely because of a $10 million drop in income tax revenues.

Federal spending on goods and services in the Yukon declined by 9%, but increased federal transfers to the territorial government and to businesses led to a 4% increase in total federal government current spending in the Yukon[7].

Overall government employment in the Yukon increased to 4,939 from 4,778 in 1997. Employment by territorial and municipal governments increased while employment levels in the federal government declined.

[7] Territorial spending figures are for the financial year based on public accounts data, while figures for the federal government are for the calendar year based on a national accounts data.

4.5 Construction

Activity in the construction industry continued to decline in 1998. The economic output of the construction industry declined from $73.7 million in 1997 to $61.5 million in 1998 – a drop of 16.5% This was the third year in a row of declining activity in the construction industry.

Estimates of capital spending on construction and the value of building permits issued also provide an indication of activity in the construction industry.

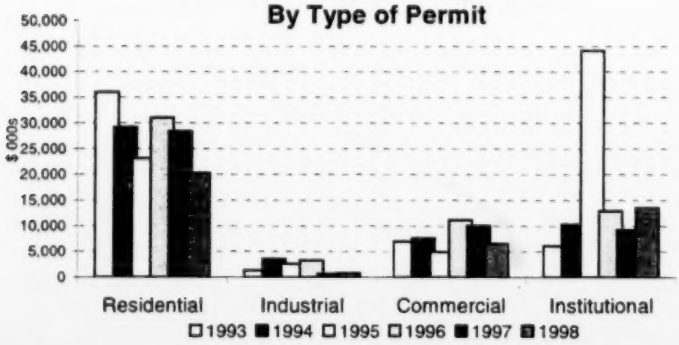
Construction Capital Expenditures

	($ millions)
1994	232.7
1995	257.8
1996	212.7
1997	177.4
1998	158.0

Source: Statistics Canada, *Cat. 61-206-XIB*

Capital spending on construction by all industries declined to $158 million, from $177 million the previous year – a drop of 11%.

Value of Yukon Building Permits By Type of Permit



Source: Yukon Bureau of Statistics: *Annual Statistical Review 1998*

The total value of building permits issued in 1998 also declined from the previous year. Total permits issued amounted to $41 million, down 15% from 1997.

The main cause for the decline was a drop of $8 million, or 29%, in the value of residential building permits issued. Permits issued for commercial buildings also decreased by 35% while the value of institutional permits increased by 47% and the value of industrial permits increased by 20%.

Major projects in 1998 included construction of the Chief Zzeh Gittlit School in Old Crow, development of Phase II of the Copper Ridge subdivision, renovations to the Whitehorse Westmark Hotel, renovations to the 202 Hotel, extension of the Whitehorse airport runway and upgrading of the Alaska Highway.

4.6 Retail and Wholesale Trade

Despite the decline in population, retail sales continued to grow in 1998. The decline in the value of the Canadian dollar and increased tourist traffic, in particular, contributed to the increase in retail sales.

Total retail sales of $311.6 million in 1998 represented a 0.6% increase over the $309.6 million spent in 1997. Retail spending has consistently risen in the Yukon since 1991, although the rate of growth slowed in 1998.

Yukon Retail Sales	
	($ millions)
1991	170.4
1992	199.6
1993	205.2
1994	212.7
1995	241.2
1996	283.9
1997	309.6
1998	311.6

Source: Yukon Bureau of Statistics, *Yukon Retail Sales September 1999*

Supermarket and grocery store sales comprised the largest portion of Yukon retail sales. Accounting for 31% of all retail trade, these sales totalled $97.1 million in 1998. Spending on cars, trucks and recreational vehicles, representing 18.6% of total retail sales, decreased 8.1% to $57.9 million.

In contrast, wholesale sales declined by 12% 1998, following a 1% increase in 1997 and a 12% increase in 1996. Industrial machinery and equipment and lumber and building materials are the largest components of wholesale sales. Both these markets experienced declines in 1998.

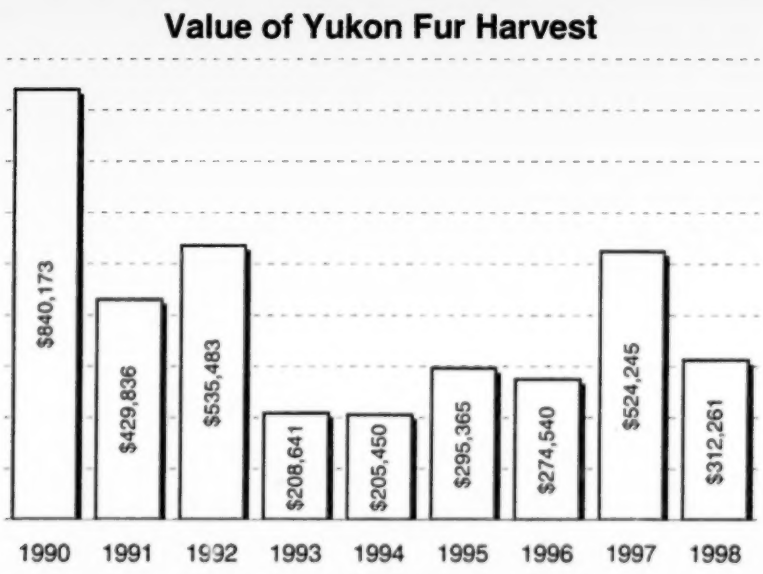
The retail trade sector contributed $60.1 million to the Yukon's GDP in 1998, up 2.2% from $58.9 million in 1997. Wholesale trade contributed $36.6 million to the GDP in 1998, down 7.8% from 1997.

4.7 Renewable Resources

Yukon's renewable resources industries – including agriculture, fishing, trapping, logging and forestry -- have historically accounted for less than 1% of annual Yukon GDP. Given the nature of renewable resources activities in the territory, GDP is not a comprehensive measure. A significant part of the activity in Yukon's logging, fishing, trapping and agriculture industries is subsistence-based, and therefore not measured as part of GDP, which only measures activities that are part of the cash economy.

In addition, renewable resource activities may overlap with other sectors. The activities of the outfitting industry, for example, are not captured in the fishing and trapping sector but are recorded under several service-industry GDP accounts. Lumber mills are included under the manufacturing sector, rather than under forestry and logging.

Operation of a new mill in Watson Lake in 1998 helped to spur the forestry and logging industry. The volume of wood harvested under commercial timber permits increased by 28% from 1996/97 to 323,500 m^3 in fiscal year 1997/98. The increase is attributable to an increase in saw log production by 70% to 285,000 m^3. Production of round wood and fuel wood decreased substantially over the year.



Source: Yukon Bureau of Statistics: *Annual Statistical Review 1998*

The agriculture industry has demonstrated consistent annual growth over the past decade. Output from this sector, as measured by the GDP accounts, grew by 4% in 1998 and has grown by an average of 11% per year over the past decade. The value of agriculture production in the Yukon increased in 1998/99 by an estimated 5% over the previous year, to $3.9 million. A new abattoir was constructed in 1998, but did not start operations until late in the year.

The value of the Yukon fur harvest declined to approximately $312,000 in 1998, a drop of over 40% compared to 1997 trapping season. . The decrease in the value of fur production in 1998 can be attributed to both decreased harvest and price. Overall, the price of all pelts decreased by an average of 30% from 1997. The most important species in terms of value were marten, lynx, wolverine and wolf. Marten accounted for 70% of the total value of Yukon fur production for the year

A poor return in the chinook and chum salmon runs in 1998 cast a shadow on the Yukon commercial fisheries. Only 390 chinook were reported harvested last year before the commercial fishery was closed due to the low number of returning fish. This was far below the average of 10,500 chinook harvested per year over the 1988-97 period. No commercial harvest of chum salmon occurred in 1998 as a result of the low runs. The poor harvest was not limited to the Yukon portion of the Yukon River. The Alaska Department of Fish and Game – Commercial Fisheries Division reported that commercial salmon harvest on the Alaska portion of the Yukon River system plunged by 77% during the year.

On the basis of preliminary counts, the Department of Renewable Resources estimates that the volume of commercial production of freshwater fish (lake trout, lake whitefish and other species) totaled approximately 2,200 kg in 1998 with the majority (1,500 kg) being lake trout. The net impact was a 120% increase from the 1997 total harvest of 1,000 kg.

The poor salmon harvests and decreased fur harvests contributed to a decline of 11% in the contribution of fishing and trapping to Yukon's GDP in 1998.

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